

JUN 11 1997

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

FILED  
JUN 11 1997

In the Matter of )

1997 Annual Access )

Tariff Filings )

CC Docket No. 97-149

To: The Commission )

**PETITION FOR CLARIFICATION OF PUERTO RICO TELEPHONE COMPANY**

Puerto Rico Telephone Company ("PRTC") hereby petitions the Commission to clarify the effect of its Memorandum Opinion and Order issued in the above-referenced proceeding regarding PRTC's 1997 Annual Access Tariff Filing.<sup>1</sup> Specifically, PRTC seeks clarification of the future applicability of Section 65.820(d) of the Commission's Rules<sup>2</sup> to PRTC.

Carriers have a number of options for determining cash working capital. Class A carriers, like PRTC, may use their actual net lag period, based on a full lead-lag study or the simplified formula method, to calculate cash working capital ("CWC").<sup>3</sup> In place of these options, Class B carriers may instead calculate the CWC allowance using the standard allowance prescribed by the Chief of the Common Carrier Bureau. The

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1. 1997 Annual Access Tariff Filings, Memorandum Opinion and Order, CC Docket No. 97-149, FCC 97-403 (rel. December 1, 1997) at ¶¶ 222-26 ("Order").

2. 47 C.F.R. § 65.820(d).

3. Id.; see also Order at ¶ 208; Amendment of Part 65 of the Commission's Rules to Prescribe Components of the Rate Base and Net Income of Dominant Carriers, Order on Reconsideration, 4 FCC Rcd 1697, 1698 (¶ 12) (1989) ("Lead-Lag Study Order").

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Commission has previously recognized that a 15-day net lag period is an appropriate standard allowance for Class B carriers.<sup>4</sup> PRTC elected to calculate CWC using the simplified formula method to determining net lag days. In its Order, the Commission rejected PRTC's lead-lag study, imposing the fifteen day standard allowance.

Section 65.820(d) provides that once a carrier has selected a method of determining its cash working capital allowance, it may not change to another optional method from year to year without Commission approval. The intended effect of the provision is to prevent carriers from strategically selecting among the available options from year to year in an effort to maximize the CWC result, "rather than to achieve the proper balance between the most accurate result and the least administrative cost."<sup>5</sup> However, this concern does not apply in the instant case. PRTC originally selected the simplified formula method because it reflects more accurately the fact that PRTC's net-lag period is greater than fifteen days and is less administratively burdensome than conducting a full lead-lag study.

On its face, the provision only prevents carriers from changing from one optional method to another, but does not apply when the Commission imposes an option. PRTC submits that on this basis, PRTC could develop its future cash working capital

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4. See Lead-Lag Study Order, 4 FCC Rcd at 1698 (¶ 14).

5. Id. (¶ 15).

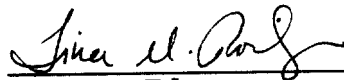
allowance using the simplified formula method without prior Commission approval. Indeed, PRTC would have continued to utilize the simplified method in the absence of the Commission's directive to use the fifteen day standard allowance for future tariff filings. Upon the completion of a revised cost study, PRTC intends to restore the option that it had previously selected for determining the CWC allowance such that there is no change in selection that could be subject to approval.<sup>6</sup> Therefore, the Commission should clarify that this prohibition does not apply to PRTC in the instant case, because PRTC did not itself select the fifteen day standard allowance, but was required to do so for the 1997 Annual Access Tariff filing by the Commission.

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6. Of course, any tariff filings and associated support required to reflect future changes in the cash working capital allowance as a result of a revised study would be subject to the standard review process.

For these reasons, PRTC respectfully requests clarification that pursuant to Section 65.820(d) of the Commission's Rules, it may exercise the option to calculate future cash working capital allowances using the simplified formula method without prior Commission approval.

Respectfully submitted,



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Dated: December 31, 1997

CERTIFICATE OF SERVICE

I, Dottie E. Holman, do hereby certify that a copy of the foregoing Petition of Puerto Rico Telephone Company was sent by hand-delivery and first-class mail this 31st day of December, 1997, to the following:

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